

Corporate Social Responsibility (CSR) in Korea

- From perspective of small and medium enterprises (SMEs) -

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I. Inevitability of corporate social responsibility (CSR) management

The CSR management on small and medium enterprises (SMEs) is adopted by strategic necessity in terms of business environment. The followings are major factors that have led to the inevitability of CSR. First of all, it is increasing that SMEs are asked to adopt CSR management practices from their parent companies that they supply their products. Korea has a supply system of which 60% of SM manufacturers with more than 5 employees sell their products to their parent companies. The majority of large corporations in Korea have already adopted the code of conduct that they will implement CSR management. Even for public corporations, the degree of ethical management practices has become an important parameter of management evaluation. Therefore large corporations, such as IBM and SONY, are asking their suppliers to incorporate CSR practices into their management process, which became a premise of the continuity of collaborations between large corporations and SMEs.

Second, both guidelines of international organizations such as UN Global Compact, ILO's directive on climate change conventions, the OECD Guidelines for Multinational Enterprises and international standards-settings, such as ISO 14000 and ISO 26000, are either working as a new trade barrier or regulation or likely to work in the future. CSR management is now recognized as a strategic management element for continuing the market, maintaining and expanding export.

Third, it is believed that the consequence of CSR management will work as a measure of evaluation for investment and lending by financial institutions. Socially responsible investing institutions, such as SAM and DJSI, consider non-financial values - consumer recognition and brand value, etc. - as well as financial performance, evaluating long-term corporate values. Accordingly, companies with a good CSR management mechanism will have a better chance to receive high-quality investment funds, resulting in a situation where SMEs became interested in CSR management.

Finally, it is stakeholders' sense of value that they came to have toward society and the environment (Hoo Sik Jung, 2007). In addition, the followings are promoted as investment management activities in terms of strategies for corporate risk prevention and sustainable development: the spread of

information such as communication through the Internet, strengthening of the civil movement (Sung Hoon Kim, 2006), and governments' legal demand as well as hard regulations on CSR.

SMEs started to recognize the necessity of both strategic importance of and adoption of CSR management within their management process, which has been recognized as just a means of enhancing the reputation of big corporations. Not only the revision of industry act and the announcement of comprehensive sustainable management policy of the Ministry of Knowledge Economy but CSR management guidelines for SMEs and CSR forums of the Small and Medium Business Administration became a starting point of assistance policy for encouraging companies' voluntary CSR management.

In fact, CSR management is functioning as threefold ways: first, a strategic tool for enhancing companies' sustainability and competitiveness second, a symbolic definition representing the objective and reason for the perpetuation of the company, and lastly a crucial element explaining a mutual relationship between social development and corporation growth.

II. CSR management guidelines for SMEs

1. What is CSR management?

EU describes CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (EU 2001). OECD defines it as corporations' activities to enlarge a symbiotic relationship with society, contributing for sustainable development (OECD 2001). Referred to as a pioneer who established a definition of CSR management, Carroll at Georgia University in the U.S first classifies CSR into four responsibilities: economic, legal, ethical, and philanthropic, and then explains that CSR management is corporation's activities for its survival through economic responsibility and the rest of the four are corporation's external contributions for others (Carroll 1979, 1991).

In this paper, CSR management is defined as "CSR management is strategic management activities enabling corporation's sustainable development by keeping a mutual relationship between corporations and stakeholders through coordinating mutual understanding of each other, further enhancing corporation's value." As a result, CSR management is recognized as not just contribution activities toward the economy, societal environment and stakeholders, but highly strategic corporate activities enhancing the reputation and future value of corporations, and eliminating and managing management risks beforehand.

2. ISO 26000 and CSR management of SMEs

As discussed in a Quebec Assembly in May 2009, it is reconfirmed that SR international standards will be used as neither a trade restraint nor a trade barrier, but rather they will contribute to fair trade and trade liberalization. In addition, ISO 26000 Assembly made it clear that SR international standards are not management system standards but a guideline, so they should not be used as

a trade regulation or a contract term. Thus it is possible that each country can prepare for its own CSR standard certification system based on SR international standards. If many voluntary global initiative organizations such as Global Reporting Initiative (GRI), however, make a sustainable report to do business activities, ISO has no right to stop it.

In my opinion, therefore, it is expected that numerous CSR organizations around the world will do consulting businesses with respect to certification after September in 2010 when SR international standards will be announced. For example, it is believed that in Korea GRI will unfold business activities related to making reports on GRI. Accountability which is a British research institute on corporate responsibility and international policy is anticipated to prepare business activities regarding sustainability evaluation on domestic corporations. After all, it is not to say that such phenomena are important motives reflecting inevitability to adopt CSR management by SMEs, and it will probably lead to a situation where domestic CSR specialist consulting firms work with global certification bodies or do businesses independently.

3. CSR management guidelines for SMEs: CSR management evaluation system

It is possible that CSR management guidelines for SMEs can basically be realized through establishing CSR management evaluation system. The objective of applying CSR management evaluation system is for executives, group members, and stakeholders to comprehensively grasp CSR relations with business objectives and strategic intentions in which a corporation is implementing or will implement. By accomplishing the objective, stakeholders can attain their own goals as well as help corporation's growth because they put more confidence in the corporation. The establishment of CSR management evaluation system within a corporation makes the group and its members voluntarily practice CSR activities by applying and systemizing ethical standards on the corporation management. As a result, when employees make a decision on their job, they can choose the best way to do the job rapidly and responsibly and their organization as well as they can accomplish a long-term joint growth by corresponding their decision to the corporation's goals.

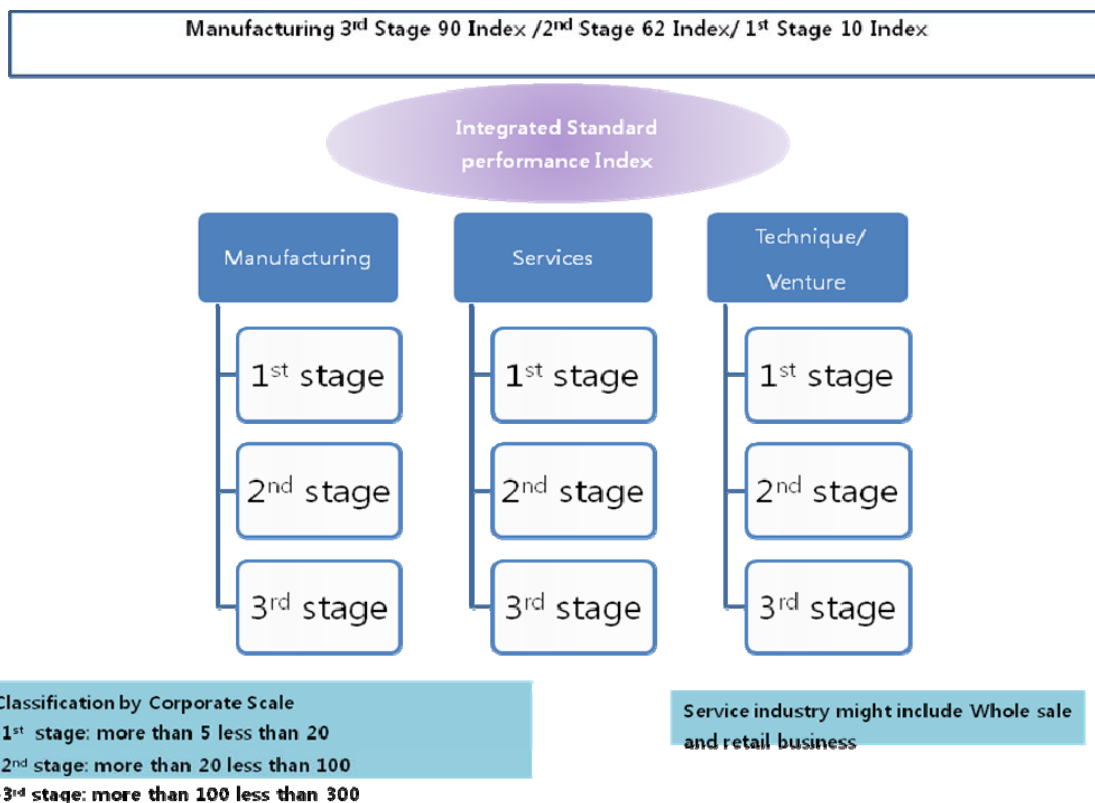
Shown as CSR management evaluation system for SMEs in this paper, KOSBI-CSR model is comprised of six sectors divided by 90 indices with a consideration of global standards and the current situation of SMEs. SMEs who want to do CSR management need to revise the evaluation system and adjust it for them according to the business environment they face and the extent to which they have a relationship with stakeholders.

Classification		Transparency	Fairness	Publicness	Practicability
Management Disclosure	Purpose	M.D system	Code of Conduct	Governance	CSR Management Admin
	Result	Accounting Disclosure CSR Disclosure	Fair Competition Corruption/ Bribery Sales Secrets & Copyrights infringement	CSR Scope Contribution of Korean Economy Corporate Relation under a Strategic Cooperation	CSR Deliberation of a board of Directors CSR International Policy Implementation
Financial Performance	Purpose	Profit and Cost structure	Vision & Goals	Tax	Responsible Management
	Result	Cost Structure Exchange Risk Management	Dividends Bonus payments Brand Value	Basis of Accounting Rules Financial Statement Previous Price	A board of Directors Financial Assessment Evaluation Human Resources / Organization
Local Community	Purpose	Local Monitoring System	Localization	Volunteer System	Local Community Admin
	Result	Briefing Residents for	Local Reinvestment Compliance of Local Law	Jobs Creation Contribution of Local Development Charity / Donations Mecenat	Dignity of Internal Employees Assessment of Local Government and Media
Environment	Purpose	Environmental Monitoring System	Environmental Management System Principal of Company responsible for proving	Energy Management system	Environment Admin
	Result	Joint Evaluation with Local Residents of Environmental impact	Pollutants Emissions Wastes Emissions Environmentally Friendly of Products Chemicals Verification Environmental Assessment Violations of Environmental Regulation	Raw Material & Energy Usage Recycling Product Life Cycle	Environmental Education of Employees ISO 14000 Authentication
Harmonization	Purpose	Labor Management	Safety and Health Tips	Welfare System	Workers Admin
	Result	Tasks/Jobs Wage System Disciplinary / Awards	Ban of Unfair Labor Employment Equality Infringement of Personal Rights Safety / Health Accidents Part timers	Living Wage Workplace Environment	Labor Laws violations Minimum Wage Compliance Lay-off / Turnover Rate
Customer	Purpose	Market Research	Management System of Consumer Information Protection	Quality Management System	Customer Charge Admin
	Result	Monitoring Results Labeling of Brand and Providing information of Products quality	Consumer Information Protection Safety & Health Marketing/ Commercial	A/S Processing Recall/Refund Handling Consumer Complaints	Customer Protection Product Liability

[Table] CSR management evaluation system(KOSBI-CSR model)

Source: Ik Sung Kim(2008), NOCSR NO FUTURE, Korea Small Business Institute, PP. 41-42

It is possible that evaluation index can be discretely selected based on firm size, business conditions, and characteristics of the industry in which a SME is involved. In KOSBI-CSR model, for example, one can select any of 9 sub-models of the evaluation system based on the type of the company and the number of employees (Refer to the diagram below).



[Diagram] Classification of stepwise management evaluation system based on the type and size of firms

CSR performance can be maximized when the sector indices of the CSR evaluation system influence one another and are practiced interdependently. For example, an environment-friendly company not only enables its employees to work under a pleasant condition but develop environment-friendly products, but satisfies market's need for well-being by producing environment-friendly products without damaging the environment and supplying the products to consumers. As a result, this company gains more trust from the market and make a higher profit. The community in which the company is located, in turn, will become more prosperous, investing money in making a better environment and further cultivating a healthier labor market. Therefore, CSR management of SMEs should listen to multi-faceted opinions, not just consider opinions within the group while it also needs to make its own CSR management system and a strategic implementation mechanism through democratic means and procedures. It is a growth as well as survival strategy for a company to upgrade its ability to protect the company from stakeholders' resistance and to further develop.

4. 8 principles of CSR management guidelines for SMEs

It is true that unlike large corporations SMEs lack funds, the pool of specialists, and information power, and they also many weaknesses for management conditions. The table below demonstrates differences between large corporations and SMEs in terms of CSR management.

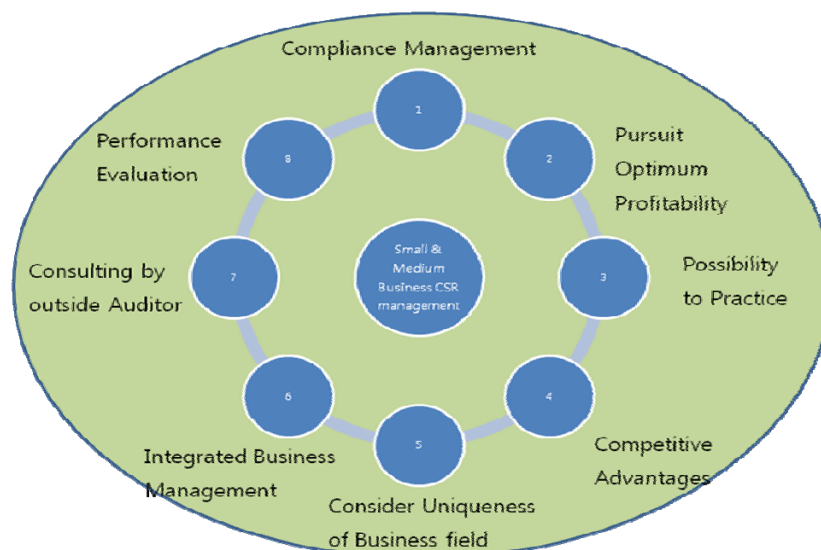
In order to observe CSR management guidelines for SMEs, it is necessary to establish and utilize the 8 principles (Refer to the diagram in the next page).

Essential is to abide by positive law. At the same time it is critical for a company to consider the size, type, and management capacity of oneself, adjusting the extent, content, and the degree of practice of CSR management, and finally to forward what is practical step by step.

Classification	Small & Medium Enterprises	Conglomerate firm
Business Area	Technique & Labor intensive Mixed and Hospitality Industry	Capital/ Technique & Service Intensive Industry
Business Type	Components Supply / Subcontract Production / OEM / Provide other services	Independent(Self) Production Market Explorer
Main Market	Domestic Market and Abroad Exports Localization Market: Manufacturing base	Global Perspective Domestic Market / Localization Market / Investing Market
CSR Management/ Assessment	Inferior Early stage or Introduction Stage	Already settled down a management guidelines or evaluation tools CSR Report available stage
CSR Goals	Response of Government Regulation Compliance of Parent Company in the supply chain Interest Issues of Consumers and Civic Organizations	CSR is well performed in Management cost reduction, Corporate value increase and Marketing area
CSR System	Clustering (Cooperative response) Improvement Induction of Public sectors and Support of systematization	Corporate performed independently Fostering Atmosphere in Public Sectors

[Table] Difference of CSR management between large corporations and SMEs

The important thing is that CSR management should be utilized as a strategic management tool for corporation's growth, and in the end it should contribute to enhancing the value and profitability of a company.



[Diagram] Principles of CSR management practices by SMEs

III. CSR management system for SMEs

1. Appreciation and steadfast support of top management for CSR management

In order for SMEs' CSR management to be successfully practiced, a solid expression and support of top management for CSR activities are musts. For this, the top management should first understand what CSR is, and the appreciation and the will should be integrated into the business philosophy and vision. The top management should also know their various stakeholders, and comprehend the degree of relationship with them as well as its impact on the company. Based on the appreciation, CSR management system can be organized, and operating standards as well as specific guidelines of CSR can be established. Therefore, top management need to equip the ability to keep the mutual relationship with their stakeholders by identifying who they are and coordinating their own interests through communication. CSR management is an important obligation of top management as well as a starting point of the capacity and responsibility of them. In consequence, we should judge top management's performance in terms of enhancement of corporation value in perspective of long-term rather than short-term. It is also beneficial to the company because it drives top management to have incentive to manage it responsibly.

2. Establishment of CSR management system

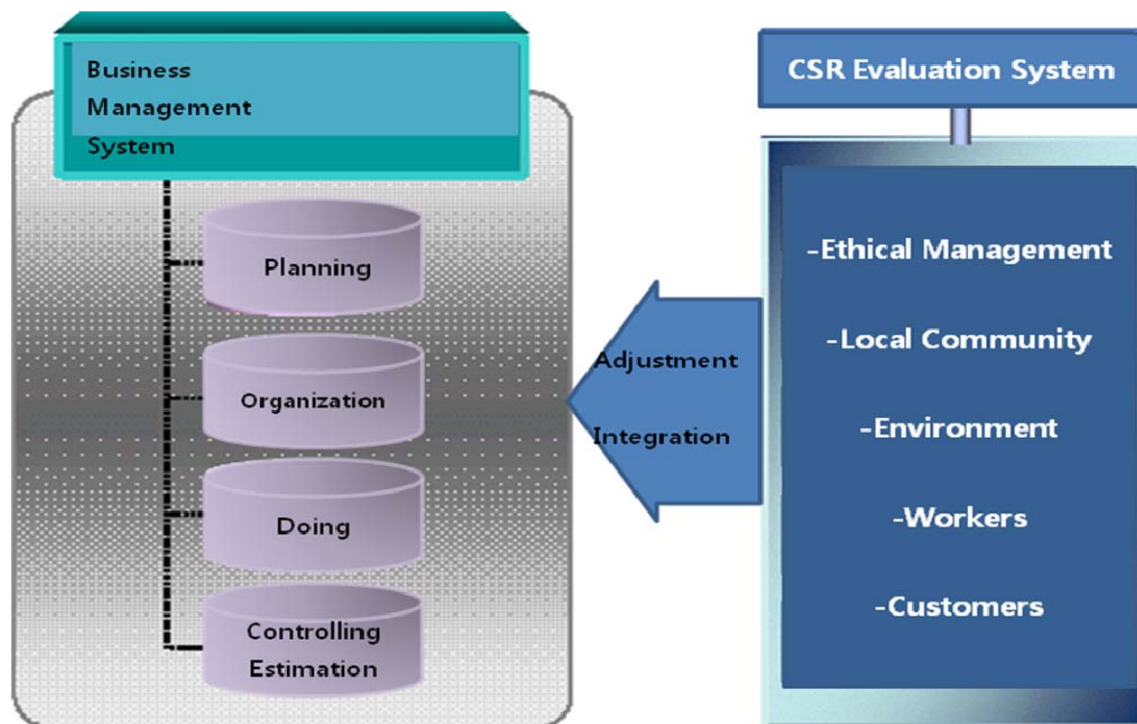
The top management of SMEs generally tends to consider that the management and investment costs increase as responsibilities and obligations are aggravated when they adopt CSR management activities. CSR management is better understood when it is recognized as corporate stakeholder management or sustainable management. CSR management aims at enhancing corporation value and sustainable development through a mutual relationship with its stakeholders. Social investment costs in CSR management is an expense for maintaining the company and minimizing risks, which assures reasonable shareholder's benefits by promoting corporation value in the medium and long term.

Destination system of corporations is composed of business philosophy of the founder, vision of the current CEO, and goals of the current business, which is a rudder for corporation's activities and a norm for governing decision makings and activities within the corporation. It is also a mechanism that a corporation judges what, when, and to what extent it determines, and at the same time that identifies how it reaches its goals (Hentze/Brose/Kammel, 1993, 66-67). The function of destination system is specified as a clearer normative action system by incorporating corporation's responsibility into business philosophy. Let us examine this further: ① establishment of relationship among business environment, stakeholders, and corporation's goals, and recognition of problems, ② establishment of upper and lower goals within destination system (determination of the degree of importance and the rank of implementation), ③ setting up decision making standards and evaluation standards for alternatives to solve the problem, ④ establishing a framework for action patterns and coordination standards during conflicts. Therefore when CSR management

evaluation system is integrated into corporation's determination system, its stakeholders, vision, goals come to coexist, becoming a foundation for conflict resolution, corporation maintenance, and sustainability.

3. Integration CSR management evaluation system into management system

ISO 26000 is an activity guideline and implementation of recommendations. As each company has different business environments, including business philosophy, the level of development, and activity zone, the practice of CSR management should be dealt within management system, and CSR management evaluation indices should be incorporated into a new CSR management system and be put into action. CSR management evaluation system is incorporated into the determination system and management system, planned, organized, and done. This should be further developed as an improved CSR management system through controlling, adjusting, and evaluating. The next table demonstrates the CSR management evaluation system described so far and the integrated management system.



[Diagram] Example of integration CSR management evaluation system into management system

4. Management methods for CSR management

4.1 Self-diagnostic checklists for CSR management

1) Comprehensive checklists for CSR management

The following is a generalized checklist for the whole CSR management system, and it totals 100 points. Adding all scores of each index, we can measure how much CSR is managed within the management system, and we can diagnose overall CSR management level.

S1, S2, and S6 which are high in importance are given 2 times weighting value

than others, and the following formula is used for calculating the score: $S1 \times 2 + S2 \times 2 + S3 + S4 + S5 + S6 \times 2 + S7$. Based on the total score a company receives, the company's performance on how well it incorporated CSR into its management system is classified as following: (1) more than 80 points means successful, (2) somewhere between 60 and 80 sufficient, (3) below 60 insufficient (needs much improvement).

Self Check list for CSR Management				CSR Management System Check list											
Department		Admin		Date											
Category	Classification	Contents	Score	Score check											
S1	Target	Integration Degree about CSR Goal System Existence & Enterprise Management System	Total	0	1	2	3	4	5	6	7	8	9	10	
	Index	CSR Mngement Philosophy	0/3	0	1	2	3	4	5	6	7	8	9	10	
		CSR Vision	0/4	0	1	2	3	4	5	6	7	8	9	10	
		CSR Business Goal	0/3	0	1	2	3	4	5	6	7	8	9	10	
S2	Target	Strategy	total	0	1	2	3	4	5	6	7	8	9	10	
	Index	CSR Inclusive in Strategy	0~3	0	1	2	3	4	5	6	7	8	9	10	
	Separate Strategy by sector	Stakeholders	0/1	0	1	2	3	4	5	6	7	8	9	10	
		Customers	0/1	0	1	2	3	4	5	6	7	8	9	10	
		Employees	0/1	0	1	2	3	4	5	6	7	8	9	10	
		Environment	0/1	0	1	2	3	4	5	6	7	8	9	10	
		Government	0/1	0	1	2	3	4	5	6	7	8	9	10	
		Financial Institutions	0/1	0	1	2	3	4	5	6	7	8	9	10	
		Local Community	0/1	0	1	2	3	4	5	6	7	8	9	10	
S3	Target	CSR Management Rules	Total	0	1	2	3	4	5	6	7	8	9	10	
	Index	CSR Management rules Existence	0/10	0	1	2	3	4	5	6	7	8	9	10	
S4	Target	Organizational Degree	Total	0	1	2	3	4	5	6	7	8	9	10	
	Index	Budgets	0~2	0	1	2	3	4	5	6	7	8	9	10	
		Department	0~2	0	1	2	3	4	5	6	7	8	9	10	
		Number of People	0~2	0	1	2	3	4	5	6	7	8	9	10	
		Information	0~2	0	1	2	3	4	5	6	7	8	9	10	
		Supporttiveness	0~2	0	1	2	3	4	5	6	7	8	9	10	
S5	Target	Management Process	Total	0	1	2	3	4	5	6	7	8	9	10	
	Index	CSR Integration Involveness	0~5	0	1	2	3	4	5	6	7	8	9	10	
		Feedback	0/5	0	1	2	3	4	5	6	7	8	9	10	
S6	Target	CSR Performance Evaluation System	Total	0	1	2	3	4	5	6	7	8	9	10	
	Method	CSR Performance Evaluation Structure	0/4	0	1	2	3	4	5	6	7	8	9	10	
		CSR Awards & Motivation	0/3	0	1	2	3	4	5	6	7	8	9	10	
		Control & Strengthen Supports	0/3	0	1	2	3	4	5	6	7	8	9	10	
S7	Target	CSR Reporting	Total	0	1	2	3	4	5	6	7	8	9	10	
	Method	Contribution on Company Value increase	0~4	0	1	2	3	4	5	6	7	8	9	10	
		Contribution on Sales & Customer increase	0~4	0	1	2	3	4	5	6	7	8	9	10	
		Etc	0~2	0	1	2	3	4	5	6	7	8	9	10	
How to Score : S1*2+S2*2+S3+S4+S5+S6*2+S7, 100 Perfect score. More than 80 Superior /60~80 Good /Less than 60 Poor Need Improvement			Total												

[Table] Comprehensive checklists for management

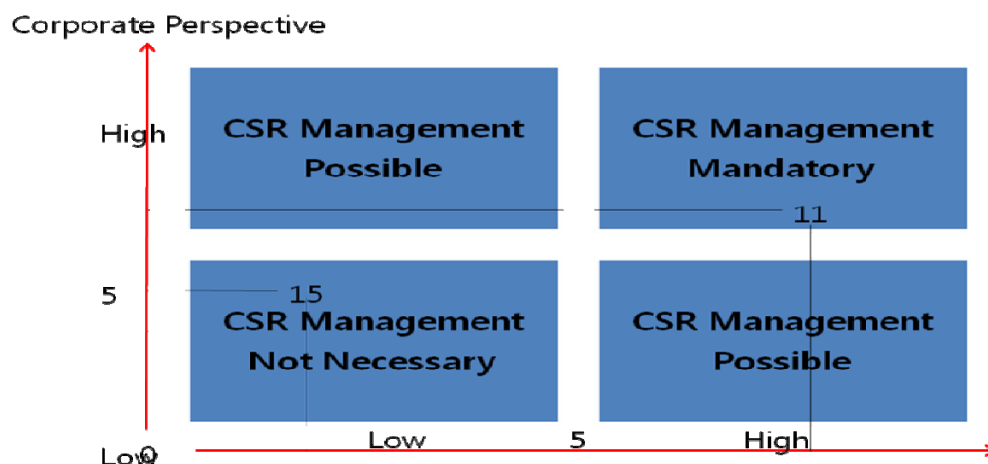
2) Checklists for a comprehensive relationship with stakeholders

In the checklist below, when “Impacts of corporations on stakeholders” and “Importance of each item in terms of the perspective of stakeholders” agree, it means that CSR is being performed efficiently (Refer to the table)

Self check list for CSR Mngement													Integrated Relationship																					
Department		Admin											Date																					
Category	Interest Parties	Corporate's Influence on Interest Parties										Importance by Interest Parties' perspective										Relationship Importance												
11	Employees and Family	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
12	Workers union	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
13	Customers	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
14	Partners	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
15	Government	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
16	Media	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
17	Local Community	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
18	Environment Organization	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
19	Investors/Bank	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
110	Competitors	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10	0	1	2	3	4	5	6	7	8	9	10
Total																																		
No Advantage Score will be added for any of Categories, Each Category perfect score is 10 so Total score is 100																																		

[Table] Checklists for comprehensive relations with stakeholders

For instance, when I1 “Impacts of corporations on stakeholders” is 6 points, “Importance of each item in terms of the perspective of stakeholders” is 8 points, it is categorized in “Section which must be applied CSR management”, suggesting CSR should be urgently adopted. If I5 “Impacts of corporations on stakeholders” is 4 points, “Importance of each item in terms of the perspective of stakeholders” is 2 points”, it is categorized in “Sector which is not necessarily CSR management”, indicating that the improvement of the relationship with relevant stakeholders needs promoting over time (Refer to the diagram).



[Diagram] Example of sectoral division of CSR activities

4.2 CSR management table

The table below represents a CSR management table for SMEs using CSR management evaluation system with manufacturers being a target of study.

Classification	Enterprise Goal System	Enterprise Business Strategy	Functional /Feature integration Strategy	Implementation Tactics	Integrated Controlling
Management	Purpose System for CSR Management	Presentation a Vision of CSR Management	CSR Sector and Integration Strategy	CSR Management Disclosure and Accounting Disclosure	
Local Community	Socially friendly Management	Employment Strategy by CSR promotion	Organize internal Volunteer System for Local Community	Charity and Donations	
Environment	Environmentally Friendly Management	Eco-Friendly products Development	Production of Recycling products	ISO 14000 Authentication	
Workers	Coexistent Management of Labor and Capital	Improve Productivity Compliance with Minimum wage	Human Resources Reorganization	Workplace Environment Improvement Employee Program	
Consumers	Customer Satisfaction Management	Customer information management	Reorganization of Marketing process and Market process	Opening an Internet Community	

[Table] Example of CSR management table

The CSR management table above is not only a business planning tool presenting main strategy and tactics of inter-connecting individual stakeholders and the management system, but a judgmental data which can be used for evaluating a business model beforehand. Therefore, CSR management can be better practiced with application of the CSR management table.

5. Practices for CSR management

5. 1. Practices within corporations

1) Education, information, knowledge management over CSR

Relevant examples and application guidelines should be suggested, communicated, and educated on two questions: first, how CSR is applied second, which way and procedure are needed for practice. Responding the questions, it is understood that why CSR management is necessary to the corporation and what benefit they will receive through CSR practices. Particularly under the current situation where each employee's selfishness is surging within organization, ethical education is also carried out.

In the discussion and education on CSR, possible sanctions are also explained in case CSR guidelines are violated. In order for CSR management to spread efficient practice of CSR and success stories, the construction of database and education system is a priority. It will allow employees to easily use related information and to share knowledge and experience through group discussion. It is also important for success stories to be learned and advertised by posting them on the Intranet so that they can be used for advertising and incentives for employees. Furthermore, its CSR management should be regularly objectively evaluated by experts from outside. Finally, the member pertinent CSR management issues should complete specialty education on CSR to improve the

quality of CSR management.

2) CSR management motivation system

In order to efficiently implement CSR management, it is necessary for a motivation system attracting new idea, creativity, and flexibility to be constructed. This will be workable when supported by practical methods such as compliments, awards, and promotion. For those who are reluctant to participate in CSR activities or do not have any motivation, it is also helpful to use the personnel system in order to motivate them. Lastly, some powerful punishments, including a pay cut, mission promotion, or dismissal, are useful to protect the company from any future risks when its member made clear mistake related to CSR.

3) Utilizing the units relevant to CSR in the company: audit committee, ethics committee, and outside directors

Ethics committee can execute powerful influence on CSR activities by legislation of corporate ethics charter, ethics education, and regular training. It is also possible to have a department or a person specialized in CSR under the committee to perform CSR activities in an organized and efficient way (Sung Soo Kim, 2002). In selecting committee members, it is desirable to consider whether one can make decision objectively and fairly without any self-interest so that lawyers, accountants, or professors who have a good reputation and expertise can be good candidates. As far as external audit or outside directors are concerned, they should be prohibited from more than three reappointment consecutively, which will reduce a possibility to collude with corporate owner or stakeholders, driving CSR system to be fairly applied, evaluated, and finally enhanced.

There are more organizations to deal with CSR issues, including compliance monitoring person or ombudsman, and whistleblower system, etc.

5.2 Practice outside the company

1) Sustainability report

Goals of publishing sustainability reports are three-folds: first, a way to inform the outside groups how a company is involved in the community, second, a way to prevent any anti-social activities beforehand, and lastly a way to reinforce its competitiveness by making company's image an intangible asset. Each company has different version of sustainability report on its own, but it basically contains socially influential issues, such as philanthropy and scholarship activities, environmental protection, and employment opportunities (Sung Soo Kim, 2002).

2) Utilizing internet communities for evaluating and improving CSR management

It can be considered that a company forms a community with its stakeholders, customers as well as employees to have their opinions over evaluation, problems, and strategies for improvement. This will enable the company to have information and participants to have free gifts, promoting mutual trust and benefits.

3) Others

There are more ways to practice CSR. First, a company can cooperate with universities and research institutes, transferring its know-how and technology and doing joint-research with them. Particularly the educational industrial complex offers a chance to be educated to its employees.

There are advertising methods to promote its reputation through media, voluntary activities, philanthropy, dinner parties, and supporting activities for culture and arts, etc.

6. Effect of CSR management

6.1 Performance within the company

The establishment of CSR management system brings many managerial benefits to the company by setting up normative standards for corporate behaviors. Before the establishment of CSR management system, it was time-consuming and costly for a company to check and monitor its employees when the communication was not smooth. However, trust among its members and business partner enables mutual communication to be smooth, which results in saving time and money.

A good relationship between them reduces labor disputes, including conflicts and strikes, and improves company's productivity and product quality. It also makes it easy for a company to have well-qualified workers and to take out a loan from financial institutions by securing trust from the outside. Particularly the improvement of company's image enhances customer's loyalty and strengthens brand power, resulting in increase in sales, expansion of market share, and increased value of the company (Petrick, 1997).

There are more benefits from CSR management in terms of customer management. It promotes company's image, creates new customers, and reinforces to keep customers. As far as company's personnel is concerned, it strengthens healthy workspace partnership, motivates employees, increases labor quality, and have new better equipped hires (Kayser, 2005; Maaß, 2005).

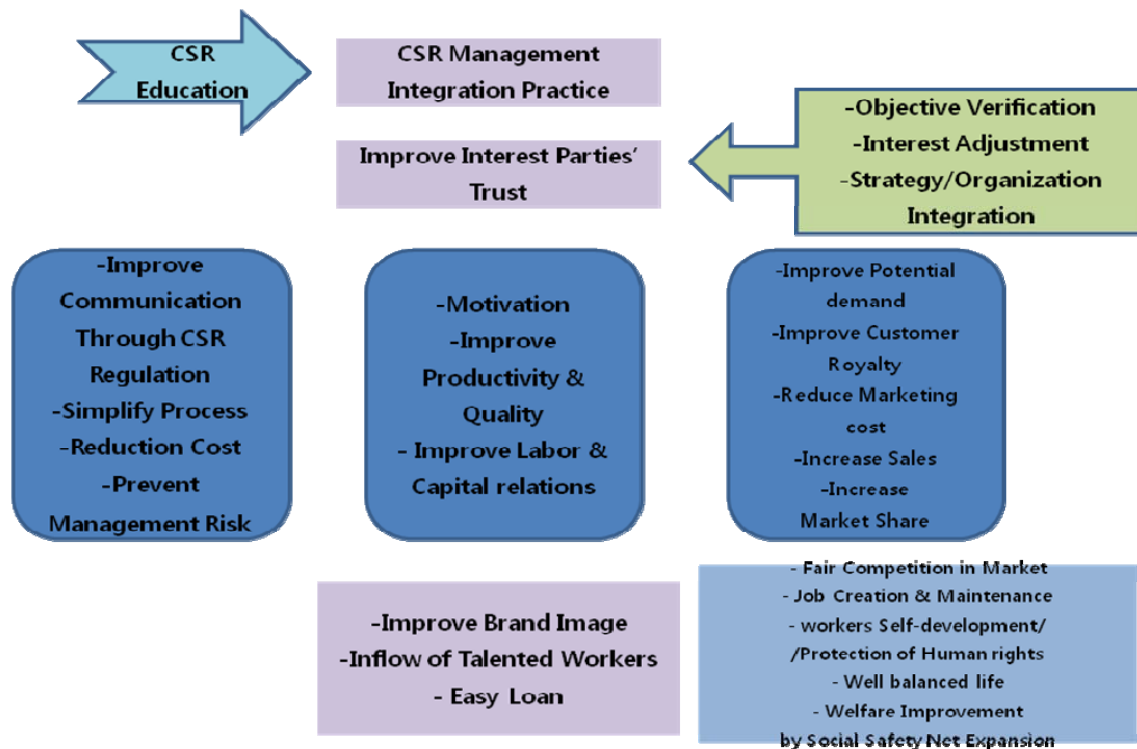
6.2 Performance outside the company

SMEs face various risks in selling their products and managing due to political situation and social, cultural difference in the country in which they operate their business. CSR evaluation system and integrated management system can work to protect the company from such risks. In addition, the establishment of CSR systems could bring trust from the political arena and society, enabling the company to protect them from political and social risks in the country.

CSR management is contributing to making the environment and homes better by producing energy-efficient products. It also assists the company in upgrading its image, securing and enlarging the market.

Good CSR management enables strategic cooperation between companies by promoting trust among them. Expanding globally through the Internet, CSR management represents trust toward companies and it slowly becomes a premise linking collaborating actions among strategic partners online. Trust among corporations makes it possible to cooperate and affiliate one another through various internet communities. As well as the cooperation, it enables forming and

dismantling of a unit, based on the type of business and the extent of affiliation, thus saving time and costs. It is expected for strategic affiliation among companies will increase, and CSR will probably play an important role in establishing cooperate relationship. The following shows the effects of CSR management.



[Diagram] Effects of CSR management

VI. Conclusion

It is believed that the adoption of CSR management by SMEs is a must, not a choice in terms of sustainability. However, the degree of CSR practices by SMEs varies according to customs, nationality, education background, governments' support and regulation, and market conditions of the country. Managerial contents, scope, and the degree of practice will also be factors affecting CSR management by SMEs.

It is desirable to develop CSR management of SMEs step by step under the consideration of corporation's uniqueness or characteristics. With insufficient pool of experts and funding, SMEs must have support from the government to reinvigorate CSR management. Therefore, the government as well as individual consulting firms needs to develop tailored business services and offer them to SMEs in order to set up and implement CSR management evaluation system. Lastly, advertising CSR management, training CSR specialists, and CSR management certification system should be supported by the government.

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